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FOR IMMEDIATE RELEASE
January 29, 2010

Media Contact:
Greg Hernandez (202) 898-6993
Email: mediarequests@fdic.gov

FDIC Symposium Focuses on Banks' Exposure to Interest-Rate Risk Management Practices

The Federal Deposit Insurance Corporation (FDIC) held an all-day symposium at its Arlington, Virginia, facility today to hear from a wide range of experts and industry participants on issues that banks across the nation face from potential changes in interest rates. Discussions centered on what types of interest-rate risk might be accumulating in the banking system, as well as what steps should be taken to defuse them.

FDIC Chairman Sheila Bair said, "There are many lessons to be learned from the current financial crisis. A big one is that bankers and regulators need to work early and get ahead of the curve to effectively limit risk accumulation before it's too late and it threatens the financial system and the broader economy. We wanted to know about any impediments to addressing excessive interest-rate risk exposures that may exist."

To some degree, interest-rate risk is inherent in the banking business. However, bank regulators have cautioned the industry that institutions are expected to have sound risk management practices in place to measure, monitor and control this type of risk.

"The industry clearly could have done more to recognize and address the excesses that grew into a full blown meltdown that threatened the financial system. Regulators could have, and should have, used our authority more proactively," Bair said. "While I am pleased to see some signs of strength in the financial system and can take some comfort from the progress that's been made, we should not become complacent. Addressing interest-rate risk proactively is an example of the way that the industry and regulators should work together in the post-crisis environment."



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-21-2010

The goals of the FDIC symposium were to understand where interest-rate risks reside in the financial system and how best to prepare for risks that arise from changes in interest rates. Discussions included ways to manage interest-rate risk and how bank regulators expect institutions to deal with them.

Symposium Website

link: http://www.fdic.gov/news/conferences/symposium_irr_meeting.html
